

July 6, 2000

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VIA HAND DELIVERY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, SW
Washington, D.C. 20554

**RE: MM Docket No. 00-39
Reply Comments of the Consumer Electronics Association**

Dear Ms. Salas:

Sinclair Broadcast Group, Inc. ("Sinclair"), through its attorneys, hereby responds to the knowingly false and baseless charges made by the Consumer Electronics Association ("CEA") in its June 16, 2000 Reply Comments ("Reply"), filed in the above-captioned proceeding. CEA's accusation that Sinclair raised issues regarding ATSC 8-VSB performance in order to maximize the return on its investment in Acrodyne Communications, Inc. (NASDAQ, symbol ACRO) is facially absurd, contrary to readily available evidence, and counter to CEA's own knowledge of the facts. This blatant distortion can only be intended to divert the Commission's attention from the merits of the DTV modulation issue, now weighing in favor of a move to broadcaster flexibility, and the Commission should reject this desperate effort.

In its Reply, CEA points out that, in January 1999, Sinclair made a substantial investment in Acrodyne for an approximate one-third equity interest in that company, along with an option to subsequently obtain a controlling interest. CEA then accuses Sinclair of initiating an anti-ATSC 8-VSB agenda "in April of 1999, three months after acquiring Acrodyne," in order to maximize its return on this investment. CEA Reply at 17. Specifically, CEA claims that by raising the ATSC 8-VSB reception issue, Sinclair is purposefully "sow[ing] confusion and attempt[ing] to delay the DTV transmission [sic]." According to CEA, Sinclair and Acrodyne apparently believe that such delay and confusion "presen[t] the opportunity to reposition Acrodyne's analog transmitter sales" and "will be of great proprietary benefit to Sinclair and Acrodyne, at the expense of many other companies that are working hard to make the digital transition a success . . ." CEA Reply at 18. In making this charge, CEA relies entirely on an excerpt from Acrodyne's May 2000 quarterly business report, in which the company noted that it might benefit from an increase in demand for analog transmitters. *Id.*

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As CEA was demonstrably aware, Sinclair discovered the ATSC 8-VSB reception problem and began relaying its concerns to government officials, broadcasters, and manufacturers in early 1998, approximately a year before its investment in Acrodyne. (In its May 17, 2000 comments in this proceeding, Sinclair indicated that it first detected these ATSC 8-VSB problems in July 1998; Sinclair actually confronted these difficulties several months earlier.) Attached to this filing are letters concerning ATSC 8-VSB reception sent by Sinclair to Thomas Bliley, then Chairman of the House Committee on Commerce, in February and March of 1998, as well as trade press articles published in April-July 1998. Indeed, Gary Shapiro himself, President of CEA, dismissed Sinclair's concerns regarding 8-VSB indoor reception in an interview published in the June/July 1998 edition of "Digital Television." In that interview, Mr. Shapiro asserted that "Sinclair has not been a vital part of [the DTV conversion] process." Shapiro's comments demonstrate CEA's acute awareness of Sinclair's work on the DTV modulation issue and the knowing, premeditated nature of its false allegations in its Reply.

In fact, contrary to CEA's allegations, Sinclair during the DTV conversion has consistently pursued one primary goal: to ensure that broadcast consumers have the ability to receive their over-the-air DTV signals easily and reliably in broadcasters' core business areas, indoors and outdoors, through small, simple antennas. In fact, prior to its work on the current 8-VSB reception issues, Sinclair was one of the first broadcasters to recognize that the low DTV power levels assigned to UHF stations would prevent these stations from providing ease of reception and reliable, over-the-air service to their core business areas; subsequently, Sinclair was at the forefront of the effort that led the Commission to raise its DTV power ceiling for these UHF licensees. *See* Petition for Reconsideration, Sinclair Broadcast Group, Inc., MM Docket No. 87-268 (June 13, 1997); Memorandum Opinion and Order, 13 FCC Rcd 7418, paras. 58-85 (1998). Sinclair believes that such an aggressive approach is absolutely necessary as it moves forward with the digital transition. Sinclair alone is being required to make a digital investment of more than \$300 million -- a substantial portion of which has already been made -- and nothing is more important to the success of its business (and to the success of broadcasting as a whole) than the achievement of high-quality over-the-air reception. Having identified serious problems with the existing ATSC 8-VSB standard, Sinclair has done its best to move the Commission and the broadcast industry toward a comprehensive and lasting solution.

More fundamentally, CEA's claims regarding Sinclair's motivations are ultimately irrelevant to the merits of the issue of ATSC 8-VSB performance. Whatever Sinclair's inspiration, it is simply the case today that the ATSC 8-VSB standard does not support ease of reception and reliable over-the-air service to viewers using simple, small antennas in broadcasters' core business areas. Numerous other broadcasters, including ABC and NBC, have also come this conclusion recently (they do not even have an interest in Acrodyne!). On June 28, 2000, Robert Graves himself, the Chairman of ATSC, conceded that the ATSC is not satisfied with the performance of ATSC 8-VSB technology, and he announced that ATSC would begin formal work towards developing a modified VSB standard.

In this context, CEA's knowingly false allegations against Sinclair are simply a diversionary tactic, intended to prevent the Commission and other observers from focusing on

Ms. Magalie Roman Salas

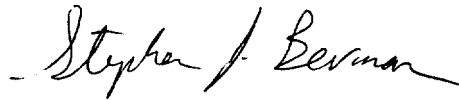
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the now almost universally acknowledged deficiencies in the ATSC 8-VSB standard. If CEA were truly interested in the plight of broadcast consumers, it would be exhorting its member manufacturers to develop DTV products that permit easy and reliable reception, not distorting the truth in an effort to besmirch Sinclair's reputation. In fact, CEA's false accusations, a result of its overzealous defense of all things 8-VSB, should discredit all of its views and proposals in this crucial DTV proceeding.

In the face of such unscrupulous opposition, Sinclair continues to work to ensure that broadcast consumers all over the U.S. are able to enjoy ease of reception and reliable, over-the-air DTV service. Toward this end, Sinclair continues to urge the Commission to give broadcasters the flexibility to operate using either the ATSC 8-VSB or COFDM-based DVB-T modulation standard, thereby enabling them to optimize their business plans and maximize service to their local communities.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen J. Berman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Martin R. Leader
Stephen J. Berman

ATTACHMENTS

SINCLAIR BROADCAST GROUP

February 19, 1998

Honorable Thomas J. Bliley, Jr.
U.S. House of Representatives
Chairman, Committee on Commerce
2409 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Bliley:

I would like to take this opportunity to thank you for your support in the UHF digital TV (DTV) power disparity issue. Yesterday's FCC press release suggests the Commissioners adopted a DTV Table of Allocations that mitigates the disparity in broadcast power levels that existed in the *Sixth Report and Order*, ensuring a competitive playing field between VHF and UHF stations in the DTV environment.

As you may recall, our contention has been that DTV success is predicated on the ease of indoor antenna reception. That is why we challenged the decades-old and unrealistic FCC standard of using an outdoor antenna mounted on a 30-foot mast as the basis to measure DTV reception. Unfortunately, the FCC's outdoor antenna assumption resulted in DTV reception tests that failed to adequately address indoor antenna reception. We are concerned there is too little data to ascertain if the current DTV modulation format of 8-VSB is adequate to support indoor antenna reception at any power level. Robust broadcast power levels are still a key element to reaching and penetrating the homes of current viewers; however, the success of indoor antenna reception may have been overlooked.

We have been informed that preliminary testing has resulted in significant multipath interference (with antenna configurations currently in use) indicating indoor antenna reception may be a weak link in DTV service regardless of the broadcast power level. It is our further understanding the Advanced Television Systems Committee (ATSC) selected 8-VSB as the modulation format without including strong technical data supporting indoor reception among its selection criteria. It is important to note that the countries, which considered indoor antenna reception critical to DTV service, selected a modulation format other than 8-VSB. Countries in Europe and Asia (including Japan) have selected another modulation format called COFDM.

NBC and the Association for Maximum Service TV (MSTV) have conducted indoor DTV antenna tests but, the data has not been circulated outside of those two groups. As a result of recent conversations at the FCC, we believe the Commission has little or no data from these tests and few at the FCC realize there may be a significant problem, much like the UHF power disparity matter, that could imperil the success of DTV.

A precedent of picking the wrong technical standard for television has been established with the FCC. In October 1950 the Commission selected CBS's ill-fated spinning color-filter wheel, a hybrid mechanical-electronic system, as the color TV standard, which was incompatible with the nearly 20 million black and white TV sets in existence. The standard was a complete failure and the FCC reversed itself in December 1953 and declared RCA's all-electronic tricolor

SINCLAIR BROADCAST GROUP, INC.
2000 WEST 41ST STREET
BALTIMORE, MARYLAND 21211-1420
TEL: 410-467-5005 • FAX 410-467-5043

picture tube as the color TV standard. A similar mistake today by selecting the wrong DTV modulation format would have larger ramifications for the nation's 97 million households, 300 million television sets and the chances of success for digital television.

It is not our intention to delay or otherwise impede the rollout of DTV. As a major broadcaster with hundreds of millions of dollars at stake, we want the best possible DTV service that will be embraced by the public and will provide a seamless transition from today's analog television. We are committed to avoid failure in the launch of DTV.

Ironically, highlighting discrepancies in the DTV process has not endeared us to some in our industry, at the FCC, or from the TV set manufacturers. Nonetheless, we believe we have a moral obligation to address such problems as they come to our attention.

I wanted to bring this important matter to your attention so that the Congress and broadcasters can gain assurances from the FCC that it is making the proper technical choices in launching DTV. Perhaps the FCC should analyze data from the testing of indoor antenna reception in order to ascertain the extent to which a problem – if any – exists and then make any necessary changes to the modulation format. Only then should the Commission move forward and launch the final DTV service.

Kindest regards,

A handwritten signature in dark ink, appearing to read "David D. Smith", written in a cursive style.

David D. Smith
President

cc: Chairman W. J. "Billy" Tauzin
Representative John D. Dingell

SINCLAIR BROADCAST GROUP

March 10, 1998

Honorable Thomas J. Bliley, Jr.
U.S. House of Representatives
Chairman, Committee on Commerce
2409 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Bliley:

I would like to bring you up-to-date on a matter I raised in a letter to you last month regarding the modulation format for digital television.

I visited Zenith in Glenview, Illinois at their invitation as a result of my publicly stated concerns regarding a lack of information on the testing of indoor antenna reception for digital television (DTV). In attendance were officials from Sinclair and Zenith as well as the Chairman and Executive Director of the Advanced Television Systems Committee (ATSC).

As you may recall, information had been shared with Sinclair that suggests the ATSC DTV modulation format of 8VSB may not work well for indoor antenna reception. It has always been the position of Sinclair that DTV must provide robust indoor antenna service if it is to be a success. Anything less than robust indoor antenna reception (as determined by the consumer) could imperil the success of DTV. It was that principle, which guided Sinclair in our successful efforts to increase allocated broadcast power levels for UHF TV stations.

I would like to state for the record that Sinclair is not advocating any specific DTV modulation format. However, we are advocating a modulation format that works and that format may be 8VSB, COFDM, another format, or a format supplemented by some other technical means which makes DTV receivable in the homes of consumers just as analog TV is received today. If DTV is not receivable in the home with whichever modulation format that is used then the entire free, over-the-air broadcast television industry faces a bleak future if it is to survive and compete with the likes of cable and direct broadcast satellite. Our motive is to make certain such a scenario does not occur.

The historical context of this matter is worth repeating. Until this past year, the premise had been that DTV would be an outdoor, rooftop antenna service. Reception testing was based almost exclusively on that premise. Significant testing of indoor antenna reception had not been considered, let alone performed. It was this premise, and early reports of poor results based on limited indoor testing that sounded the alarm.

Our visit in Glenview went very well. Officials at Zenith were very cooperative and were engaged in the discussions. I appreciate the high level of interest Zenith has assumed on this issue. We spent several hours reviewing data they acquired on DTV testing. In short, while

SINCLAIR BROADCAST GROUP, INC.
2000 WEST 41ST STREET
BALTIMORE, MARYLAND 21211-1420
TEL: 410-467-5005 - FAX 410-467-5043

Digital signals poor indoors

BY JON LAFAYETTE
NEW YORK BUREAU CHIEF

Sinclair Broadcast Group once again is warning fellow UHF station operators that their digital transmissions won't be seen by viewers using indoor antennas.

The new alert comes after preliminary results of a study conducted for Maximum Service Television in the Washington area—results that Sinclair said “confirm our worst fears about the viability of 8VSB [the modulation standard for digital] and the DTV standard as an indoor antenna service.”

In a memo to UHF stations, Nat Ostroff, vice president, new technology at Sinclair, said that 28 of 52 indoor sites where the signal was strong did not get pictures using a bow tie/reflector antenna. Outdoor reception was discouraging also, he said.

The results were reported at an engineering session at the National Association of Broadcasters convention earlier this month, but Mr. Ostroff said, “I don't think too many people caught it.”

So far, those “horrendous” re-

sults have been greeted with “a pregnant silence,” said Mr. Ostroff. “MSTV has to put out some kind of explanation. It may be lame, but I'd expect them to say something.”

Dennis Wallace, president of Wallace & Associates, the engineering firm conducting the survey, said the results haven't been fully analyzed.

“It's a little premature to come to conclusions,” said Mr. Wallace. A final report is due out by the middle of June, he said.

Indoor reception wasn't a requirement for either analog or digital broadcasting, Mr. Wallace pointed out.

“I think we have a service that will serve most viewers, but we have a service we still have to do a lot of homework on,” Mr. Wallace said.

Mr. Ostroff said the indoor reception issue was crucial.

“Are broadcasters going to become reliant on cable as the only way viewers will get their digital programming? I don't think broadcasters should accept that situation.”

He warned that if broadcasters are absolutely reliant on cable, “all

(Continued on Page 36)



Digital signals poor indoors, study says

(Continued from Page 3)
the leverage in that deal goes to the cable operators.”

Mr. Ostroff said the first step was making broadcasters aware of the importance of the issue.

“I think there's going to be a reaction, but the focus isn't on this. There's like a 10-day delay,” he said.

Before the results came out, Sinclair and other broadcasters, including Fox, had been lobbying consumer electronic manufacturers to improve their receivers so that they can receive digital signals with indoor antennas.

“What we hear is they should be able to make better adaptive equalizers,” he said. Though

Sinclair had been lobbying consumer electronics manufacturers to improve their receivers.

that would be the simplest solution to the reception problem, he warns, “those claims sometimes turn out to be empty.”

Another bad solution for broadcasters would be if manu-

facturers deliver both cheap sets that can show digital pictures from cable and more expensive ones that can receive over the air.

Mr. Wallace says the consumer electronics industry has an interest in not having its expensive sets returned by consumers who can't get a picture.

But he adds, “I don't imagine someone's going to buy a \$10,000 set and hook it up to a loop antenna.” He expects early adopters will get professional installation of antennas for the best reception, similar to the way satellite TV is installed. #

TV BUSINESS CONFIDENTIAL

THE DAILY REPORT FOR TELEVISION EXECUTIVES
THURSDAY **APRIL 30, 1998**

WANT A TV STATION? WHERE DO YOU FIND ONE? Over the past few days **The Confidential** has been on the phone with brokers, owners and members of the "Big Bucks World". As we observed last month, most of the great deals in the top 50 markets are gone. So, it's become a sellers market in the next tier, 51 through 100. It's widely known that Hicks Muse and company as well as Hearst-Argyle are battling over the "Pulitzer Prize" in St. Louis. New York Hearst executive John Conomikes was spotted in St. Louis last week, presumably gathering or presenting additional information to get a leg-up on the sale. The market is such that even a small religious station in a large South Carolina city is almost daily getting inquiries from brokers and potential buyers. Prices in areas such as the Dakotas, Montana, Idaho, etc. are moving higher since the first 50 markets have been consolidated for the most part. At the major market levels, vicious rumors are starting to spring up falsely identifying stations which are really not for sale. A long time industry insider quipped "When the battle of the Titans has ended, the battle of the Pygmies will begin," in a paraphrase of the Winston Churchill quote following W.W.II.

HOLY HORNETS NEST, BATMAN! For the past two days, **The Confidential** has published the on-going saga of the battle between Sinclair Broadcasting and the Consumer Electronics Manufacturers Assn. We called a high ranking Sinclair official who insisted they are not advocating any particular digital system, but felt the studies can not prove an acceptable level of "robust reception." Anything less, he said, is unacceptable to Sinclair and should be to the broadcast industry in general. Concerning Gary Shapiro's (CEMA) strong statement in yesterday's publication, the official said "Gary Shapiro doesn't have a clue as to Sinclair's agenda in digital TV. He's never made the effort to Sinclair senior management to discuss the issues in a rational manner. Mr. Shapiro's organization should be concerned about manufacturing TV sets, and stop worrying about what broadcasters are saying." Tune in tomorrow, Same Bat-Time, Same Bat-Channel.

CONGRESSIONAL BILL IN PIPELINE TO STOP VCR RECORDING. If you remember when VCR's first came out, there was a clamor for legislation to prevent the taping of movies and TV programs. Hollywood claimed it would infringe on royalties and residuals. Well, it's baaaaack. Co-Sponsored by Sen. Hatch (R- UT.) and Sen. Kohl (D-WI.), S-1121 will today go to Judiciary Committee. The thrust of the legislation would be to allow broadcasters to encrypt any of their signals at will to prevent it from being recorded on a VCR. It's called the Digital Millennium Copyright Act of 1998. Sponsors argue that it would prevent piracy amounting to \$15 billion annually. Hollywood likes it because of the aforementioned residuals. Some broadcasters are licking their chops, because they can encrypt, for example, the Super Bowl to prevent recording...and at an estimated \$2 million per commercial, force the viewer to watch the sponsor's message instead of zapping through it on the tape replay.

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TV BUSINESS CONFIDENTIAL

THE DAILY REPORT FOR BUSINESS EXECUTIVES

MONDAY

JULY 6, 1998

DTV DISPUTE CONTINUES BETWEEN SINCLAIR & CEMA. "This is the first time that the political system has tried to rewrite the laws of physics," according to Vice President, New Technology of Sinclair Broadcasting, Nat Ostroff. Ostroff tells *The Confidential* why he's circulating a letter written to Gary Shapiro, President of CEMA (Consumer Electronic Manufacturers Association). Ostroff says he has some very grave concerns with the receivers which are currently on the drawing board and due for introduction this fall. In the letter to Shapiro, Ostroff continues, "If your members' receivers are not capable of better performance in a multipath environment than has been demonstrated to date, either indoor or outdoor, the required investment made by broadcasters will be in serious jeopardy. Your members (CEMA) will start to recoup their investments immediately upon the sale of the first products into the market. How long will the broadcasters have to wait to begin to recoup their investments?" Sinclair leads the TV industry in playing the devil's advocate with many hard to answer questions. It's a well known fact among engineers that DTV reception depends greatly upon strong line of sight. It seems that the CEMA solution would be based upon a narrow 15-degree beam antenna, which could again require installation of the archaic rotor systems on rooftops. Although U.S. TV broadcasters have already been committed to the 8VSB standard, Ostroff is on record stating that the COFDM transmission standard has outperformed the U.S. designated system in tests conducted in Australia. Shapiro criticized Sinclair in a recent magazine article, for not being a member of NAB, The Model Station Project or MSTV.

90210 PRODUCER KILLED IN HOLIDAY MISHAP. Steven M. Wasserman, a veteran producer and writer who helped make "Beverly Hills, 90210" a TV hit, was killed in a sailing accident over the holiday weekend. The 45-year-old Wasserman was on a trip to Santa Catalina Island when he fell overboard Friday night, five miles from Marina del Rey. His ex-wife Jessica Klein was also aboard and said Wasserman was adjusting a sail on the bow when a powerful gust blew him into the ocean, knocking him unconscious. Wasserman, who was not wearing a life vest, was pulled from the water by a U.S. Coast Guard helicopter and taken to Torrance Memorial Hospital, where he was pronounced DOA.

IF AT&T HANGS UP ON DEAL, WOULD BE COSTLY. AT&T Corp. would pay an eye-popping \$1.75 billion if it terminates its proposed \$44 billion merger with Tele-Communications, according to documents filed Wednesday with the Securities and Exchange Commission. Though breakup fees are common in mergers, the size of this penalty signifies the dimensions of the proposed merger between the nation's #1 long distance provider and #2 cable operator. The SEC filing also revealed that both companies plan to complete the merger by March 31.

HEARST-ARGYLE COMPLETES EXCHANGE. Hearst-Argyle Television completed the previously announced exchange of its Dayton, OH and Providence, RI stations for stations in Monterey, CA and Burlington, VT. WDTN/Dayton and WNAC/Providence were exchanged for KSBW/Monterey and WPTZ & WNNE/Burlington. No terms were disclosed.

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the process started, I think
s or 40%, and it's gone up

rapidly. On the other hand, if I'm a cable company, I'm
looking out there, and I'm saying my best customers are
buying HDTV sets. And they may be cancelling HBO
and cable, and going to HBO on DBS. And they're going
to start watching broadcasters rather than going through
my cable service. And my advertisers, like Procter and
Gamble, who are extraordinarily interested in HDTV, are
starting to insist that I carry an HDTV signal. I think the
marketplace, at some point, will pressure cable compa-
nies to get onto the HDTV bandwagon.

DTV ■ But will that be 10 or 15 years from now? I
mean, it seems to me that to jump start this new medium
everybody's got to be on board. Ideally. The broadcasters
have to be on board, and not with three different for-
mats, but with one. And cable has to be on board, and
DBS has to be on board. There has to be one HDTV pipe
into American homes.

Shapiro □ The format debate notwithstanding, I think
that's greatly overblown in importance, even for broad-

casters. Because there's all sorts of equipment out there
on the market, and being developed, which allows trans-
formation of the format at a relatively inexpensive cost
by the time it gets into the consumer homes.

But cable is an important player, and that's why, when
the law is as clear as it is on must carry, and broadcasters
have their financial contribution that they must make by
law, and equipment makers have made and continue to
make their financial contribution to get our country
launched in HDTV, we think it's appropriate—and very
important—that cable meet its obligations under the law,
and carry the signal.

DTV ■ Are you at all worried about any of these testing
results about which Sinclair Broadcasting seems to be
making a big deal? They're saying: "Well, you're not
going to be able to get as good a picture with an indoor
antenna. The whole system is not going to work." What's
your take on all that?

Shapiro □ Sinclair has not been a vital part of this process.
My understanding is they're not a member of the National
Association of Broadcasters, not a member of the model
station, not a member of MSTV. And everything that
everybody knew all along, Sinclair has just discovered.

Number one, it is a law of physics that an indoor anten-
na does not work as well as an outdoor antenna. It obvi-
ously depends upon the building environment, the house. If
you're in the middle of an apartment building, for example,
and you have to go through five layers of concrete to get an
indoor antenna signal, it's not going to work that way.

We've always known that. That's why outdoor antennas
were invented and sold. Otherwise, everyone would just use
those little rabbit ears, in the days of suburban houses with
lots of windows. Now we've gone to different structures in
the last 40 years, and indoor antennas just are not as good
as outdoor antennas, although they're getting better.

Outdoor antennas are a big part of the answer, and we
have developed a program of standardization for antennas
so consumers will understand the different type of anten-
nas they need. We've gone to a very sophisticated pro-
gram where we're going to be mapping out every major
city in the country as to where you live, so you can go into
a retail store, and you can figure out what type of antenna
you actually need, depending on whether there are build-
ings blocking your reception, how far you are from the
broadcast, the HDTV signal. We've worked with the NAB
on an antenna promotion campaign. We're focusing con-
sumers' attention on buying antennas now, because we are
concerned about the monopolistic cable choke hold.
Now, in some places, indoor antennas work quite well.

DTV ■ How big are the screens going to be on the initial
roll out?

Shapiro □ Very, very big. You're talking about 35 to 51
inches.

DTV ■ Will the 35 be direct view or a projection model?

Shapiro □ They will be projection. I don't recall any
direct view announcements to date.

DTV ■ I have two interests. How big will the screens be,
and how small will they be?

Shapiro □ HDTV models will probably go as low as 30
inches in the first year. It's difficult to justify an HDTV
consumer product less than 25 inches. But in time there
will be just as great a variety as there is today. Except on
the high end, where there will be more. You'll be seeing a
phenomenal amount of displays in HDTV at the next
Consumer Electronics Show in January.

HDTV clearly has its full glory in the larger models.
But the challenge from the TV set manufacturer point of
view is that you either have a huge tube, in which case
you have to have big depth, or you have to have projec-
tion, and only so many rooms can handle projection. So
that gives an opportunity for the Texas Instruments DLP
(digital light processing) concept, for liquid crystal or for
plasma, which is truly phenomenal. The work in those
areas is proceeding furiously, and every day we're hear-
ing about breakthroughs. In fact, last week, one of the
breakthroughs actually was, believe it or not, in the cath-
ode ray tube.

So the point is, HDTV is spurring a huge amount of
investment and research in display technology. Eventual-
ly, the chips that allow you to receive HDTV can be very
inexpensive. And so you're talking about attacking the
cost of the display, which is 50% of the cost of a TV set.
One of the ways TV sets are priced now, in analog, is
about \$10 a square inch. It's about \$100 an inch in digi-
tal. You know, that's my nightmare, that everyone looks
at these first sets and the first prices, and the story then is,
"HDTV is for the richest people only."

DTV ■ Why don't they have loss leaders, on the premise
of selling 500,000 sets in the first year but not trying to
break even on the first 10,000. Keep the 10,000 low to
sell the 500,000.

Shapiro □ The question is, can you get 10,000 in the first
year of manufacturing? Once they figure out that they can
do 500,000 a year, once they learn from the first few
thousand sets and they get the manufacturing efficiency
going, they will be going through that type of calculation.
But every individual manufacturer is making its own
pricing decisions, and they are very aggressive, and

DTV ■ Are you at all worried about any of these testing results about which Sinclair Broadcasting seems to be making a big deal? They're saying: "Well, you're not going to be able to get as good a picture with an indoor antenna. The whole system is not going to work." What's your take on all that?

Shapiro □ Sinclair has not been a vital part of this process. My understanding is they're not a member of the National Association of Broadcasters, not a member of the model station, not a member of MSTV. And everything that everybody knew all along, Sinclair has just discovered.

Number one, it is a law of physics that an indoor antenna does not work as well as an outdoor antenna. It obviously depends upon the building environment, the house. If you're in the middle of an apartment building, for example, and you have to go through five layers of concrete to get an indoor antenna signal, it's not going to work that way.

We've always known that. That's why outdoor antennas were invented and sold. Otherwise, everyone would just use those little rabbit ears, in the days of suburban houses with lots of windows. Now we've gone to different structures in the last 40 years, and indoor antennas just are not as good as outdoor antennas, although they're getting better.

Outdoor antennas are a big part of the answer, and we have developed a program of standardization for antennas so consumers will understand the different type of antennas they need. We've gone to a very sophisticated program where we're going to be mapping out every major city in the country as to where you live, so you can go into a retail store, and you can figure out what type of antenna you actually need, depending on whether there are buildings blocking your reception, how far you are from the broadcast, the HDTV signal. We've worked with the NAB on an antenna promotion campaign. We're focusing consumers' attention on buying antennas now, because we are concerned about the monopolistic cable choke hold.


Now, in some places, indoor antennas work quite well.

CERTIFICATE OF SERVICE

I, Cindi Smith Rush, a secretary to the law firm of Shaw Pittman, hereby certify that on this 6th day of July, I served a true copy of the foregoing "Letter of Sinclair Broadcast Group" by first class United States Mail, postage prepaid, upon the following:

Gary Klein, Esq.
Vice President, Government and
Legal Affairs
Michael Petricone, Esq.
Vice President, Technology Policy
Consumer Electronics Association
2500 Wilson Boulevard
Arlington, Virginia 22201

David R. Siddall, Esq.
Jason E. Friedrich, Esq.
Verner, Liipfert, Bernhard,
McPherson & Hand, Chartered
901 15th Street, N.W., Suite 700
Washington, D.C. 20005


Cindi Smith Rush